HOUSING MARKET OUTLOOK

Windsor

Canada Mortgage and Housing Corporation

www.cmhc.ca

Spring 2005

NEW HOME MARKET

Housing starts drop

CMHC is forecasting another strong year of housing starts, reaching 1,960 starts in 2005. Healthy levels of in-migration, affordable borrowing costs and job growth contributed to a six year run of total starts exceeding the 2,000 unit benchmark for a strong market mark in the Windsor Census Metropolitan Area (CMA) between 1999 and 2004. The lag effect of lower inmigration and job creation in the Windsor CMA during the 2002-04 period will affect starts this year, particularly in the single-family market.

In 2005 housing starts will be negatively impacted by increasing borrowing rates which will be offset by stronger job growth and a pick up in the economy in the second half.

In 2005, single starts will decline just under 16 per cent to 1,300 homes. The anticipated decline is due to rising prices and mortgage rates. A number of new subdivisions are planned for Amherstburg, LaSalle and Lakeshore.

Prices of new homes have risen steadily partly due to purchasers buying larger homes in the current low interest rate environment. The first-time homeowner market for new homes, which was particularly active several years ago, has weakened leaving the strength in the move-up/down segment. The New Housing Price Index, which has shown very little movement, is expected to post a three per cent gain in 2005 due to higher input costs and increased development charges throughout the CMA.

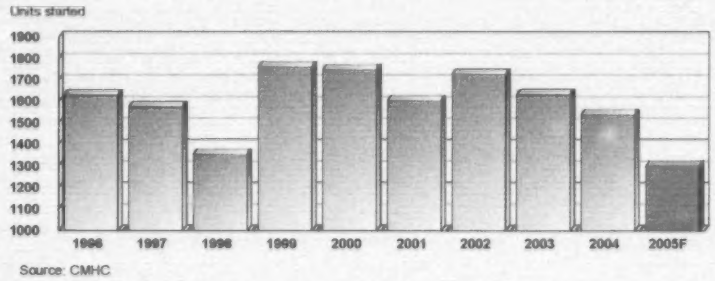
Property taxes contribute to an owner's carryingcost of a new house. Within the Windsor CMA, the taxes in Lakeshore were on average 36 per cent lower than in the City of Windsor for a home assessed at $152,000 in 2004. This

IN THIS ISSUE

1 New Home Market
2 Resale Market
2 Rental Market
3 Mortgage Rate Outlook
3 Employment
4 Summary

Single starts will slip...

as homes get more expensive



Source: CMHC

Margot Stevenson - Market Analyst, CMHC
Tel: (519) 873-2407 Fax: (519) 438-5266
mstevens@cmhc.ca

Canada

CMHC SCHL
HOME TO CANADIANS

difference will contribute to Lakeshore being the fastest growing municipality in the area.

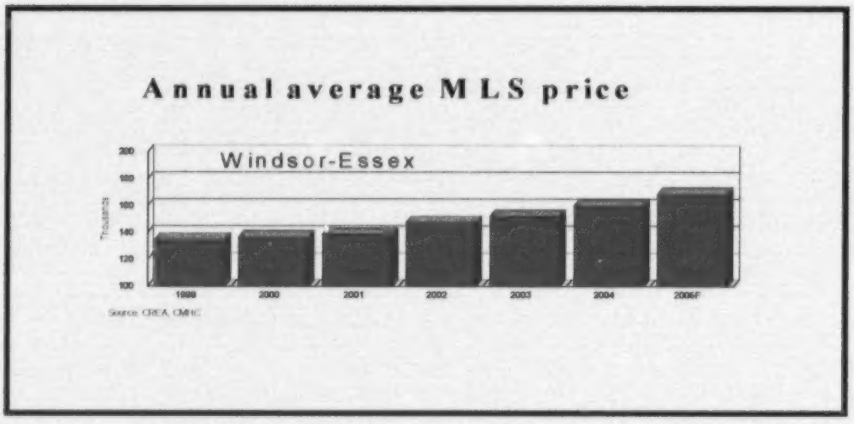
The average price of new single-detached family home will rise nearly four per cent in 2005. Some demand will switch to the multiple market which offers lower priced product.

Demand for semi-detached units will decline in 2005. The reduced demand is linked to the reduced number of first-time buyers. With interest rates so low, people are choosing single-detached. Apartment ownership starts are off to a good start this year and are forecast to reach the 300 unit mark, the strongest level yet. This product will continue to be popular in 2005 as lower priced units allow first-time buyers into the market. These units also offer an alternative to professionals/ empty-nesters looking for a more carefree lifestyle option in new buildings in established neighbourhoods.

Rental starts will be limited to 160 units, which will include the first social housing project in several years, due to the elevated vacancy rate.

RESALE MARKET

The outlook for the Windsor CMA remains positive. Low mortgage rates, steady employment, and rising home equity contributed to the stellar performance in 2004 and record sales of 5,832 units. In the first quarter of 2005 sales active was ten per cent off of last year's record activity but still made it into the top ten best first quarters. A slow start to 2005 with softer demand will result in home sales of 5,650 sales.



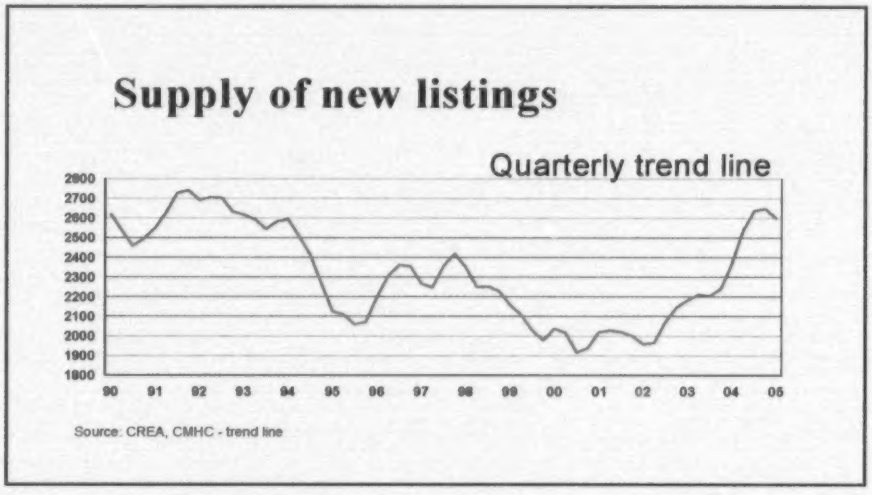
Strong immigration into the Windsor area in 2000 and 2001 has helped spur demand in the resale market. New residents typically take 3-5 years before entering the homeownership market and as such many of these were active purchasers in 2004. Lower immigration in the more recent few years will contribute to lower sales activity in 2005.

The seller's market of 2004 resulted in steadily rising house prices. By year end the average price reached $160,000 a gain of $8,000 or five per cent. This gain has had two impacts. First, to attract people to invest in homeownership. Second, to lure homeowners to list their homes for sale in order to realize their equity gains, which in turn has shot up the supply of new listings on the market.

The supply of new listings was higher during the first quarter of 2005. The run up in the number of homes available for sale has moved the Windsor resale market closer to a balanced position where neither the buyer nor the seller has a price negotiation advantage. The increase in the number of new listings will offer buyer' more choice and time to make a decision as well as ease some of the upward pressure on prices. The 2005 average MLS price is forecast to increase 5.6 per cent to $168,500.

HIGHEST RATE IN CANADA

Windsor's apartment rental market softened in 2004 as the cost of

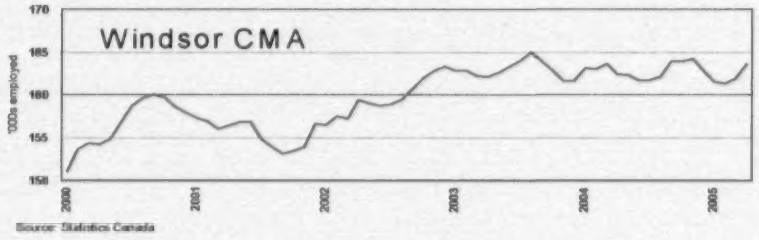


ownership became comparable to the cost of renting. The vacancy rate for apartment units hit 8.8 per cent more than double the 4.3 per cent recorded one year earlier. The average price of just under $160,000 for a resale home in the Windsor area in 2004 meant carrying costs of a 75 per cent mortgage were comparable with the average rent for a three bedroom apartment of $903.

Those in-migrating in 2000-2002 were older than usual, mostly in the 35-49 year age group, this age group tends to prefer homeownership.

On the supply side, the lack of significant new rental construction implies that once high capital infrastructure projects in the area begin to boost employment , the vacancy rate will trend down to 6.5 per cent in 2005.

Employment turns positive



ECONOMIC OVERVIEW

While mortgage rates will move up moderately in 2005 employment is expected to grow in the second half of the year.

Job creation is an essential component of housing demand. Employed individuals gain the financial ability to purchase homes. Employment levels in the Windsor CMA remained flat in 2004 as the manufacturing sector dealt with a rising Canadian dollar and border crossing delays. The brunt of the negative effect from a rising dollar came earlier than expected and manufacturers seem to have dealt with the major impact.

Employment levels have been relatively stable over the first quarter and will pick up through out the rest of the year. Upgrades to the border crossing will have a positive effect on nonresidential construction and tourism jobs.

The Ontario Lottery and Gaming Corporation recently announced plans for a 100,000 square foot convention centre, hotel tower and auditorium to be built adjacent to Casino Windsor. This will enable Windsor to compete for larger conventions and the average tourist's stay is expected to increase.

Increases in the labour force, without corresponding employment growth resulted in a slightly higher unemployment rate of 8.7 per cent in 2004. A slowdown in the automotive sector and the strike and Casino Windsor also contributed to the higher level.

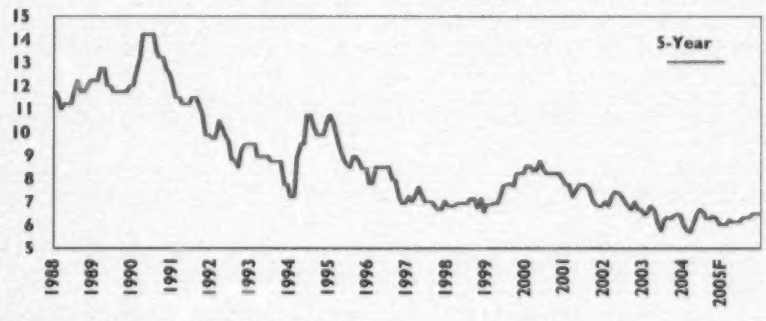
MORTGAGE RATE OUTLOOK

Short-term mortgage rates move in tandem with the prime rate while mid- and long-term mortgage rates vary in response to the cost of raising funds in the bond markets.

Posted mortgage rates are forecast to rise moderately as interest rates head up in 2005-06. However, tame inflation, a strong Canadian dollar vis-a-vis the U.S. dollar, and slower economic growth in Canada will restrain the size and speed of Canadian interest and mortgage rates increases in 2005-06.

Mortgage rates are expected to remain low, rising by less than 50 basis points annually this year and next. One, three and five-year mortgage rates are forecast to be in the 4.50-5.50, 5.50-6.50, and 5.75-6.75 per cent range respectively in 2005.

Mortgage Rates to Edge Up



Source: Statistics Canada, CMHC Forecast

FORECAST SUMMARY
Windsor Census Metropolitan Area

RESALE MARKET	2001	2002	2003	2004	2005(f)	%Change
MLS* Sales	5127	5265	5300	5832	5650	-3.1%
MLS Average Price	$138,485	$149,206	$152,000	$159,597	$168,500	5.6%
MLS New Listings April	804	797	831	1,031	1,071	1.0%
Sales-to-New Listings Ratio	62.8%	61.3%	54.2%	53.8%	52.0%	
NEW HOME MARKET						
Single-detached starts	1604	1726	1632	1539	1300	-15.5%
Semi-detached starts	218	350	213	194	120	-38%
Row/Apt Ownership starts	289	384	331	427	380	-11.0%
Apt Rental/Life-lease starts	46	30	61	127	160	26.1%
Total Starts	2157	2490	2237	2287	1960	-14.0%
Average New Home Price	$190,600	$191,437	$206,000	$213,469	$220,000	3.1%
RENTAL MARKET						
Apartment Vacancy Rate	2.9	3.9	4.3	8.8	6.5	
Average 2 Bedroom Rent	$738	$765	$776	$776	$779	0.4%
ECONOMIC ASSUMPTIONS						
Mortgage Rate (1-Year Term, %)	6.14	5.17	4.84	4.59	5.01	
Mortgage Rate (5-Year Term, %)	7.4	7.02	6.39	6.23	6.28	
Employment (000's)	154.6	158.8	163	163	165	1.2%
Net Migration	6149	3451	2230	3000	3000	0.0%

*Multiple Listing Service, (MLS) is a registered certification mark owned by the Canadian Real Estate Association.
Source: Windsor-Essex County Real Estate Board, HRDC, Bank of Canada, CMHC

Housing Market Outlook is CMHC's forecast for new home and resale markets. Issues are released in the Spring and Fall of each year. For more information contact Margot Stevenson at (519) 873-2407 or mstevens@cmhc-schl.gc.ca

Housing Market Outlook is published by Canada Mortgage and Housing Corporation. All rights reserved. to become a subscriber or for more information about CMHC's wide range of housing related publications, please call 1-800-493-0059.

© 2005 Canada Mortgage and Housing Corporation. All rights reserved. No portion of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, mechanical, electronic, photocopying, recording or otherwise without the prior written permission of Canada Mortgage and Housing Corporation. Without limiting the generality of the foregoing, no portion of this publication may be translated from English into any other language without the prior written permission of Canada Mortgage and Housing Corporation. The information, analyses and opinions contained in this publication are based on various sources believed reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibilities.